

SCHEDULES

SCHEDULE 7

AVOIDANCE INVOLVING FINANCIAL ARRANGEMENTS

Continuity of treatment of groups etc: treatment of transferee company

17 (1) In Schedule 9 to FA 1996 (loan relationships) paragraph 12 (continuity of treatment of groups etc) is amended as follows.

(2) For sub-paragraph (2) (the credits and debits to be brought into account) substitute—

“(2) For the purpose of determining the credits and debits to be brought into account for the purposes of this Chapter in respect of the loan relationship—

- (a) for the accounting period in which the transaction or, as the case may be, the first of the series of transactions takes place, the transferor company shall be treated as having entered into that transaction for a consideration equal to the notional carrying value of the asset or liability representing the relationship; and
- (b) for any accounting period in which it is a party to the relationship, the transferee company shall be treated as if it had acquired the asset or liability representing the relationship for a consideration equal to the notional carrying value of the asset or liability.

For the purposes of this sub-paragraph, the notional carrying value is the amount that would have been the carrying value of the asset or liability in the accounts of the transferor company if a period of account had ended immediately before the date when the company ceased to be party to the loan relationship.”.

(3) In sub-paragraph (2A) (paragraph 12 not to apply where transferor uses fair value accounting) for paragraph (aa) (treatment of transferee in respect of the transaction) substitute—

“(aa) paragraph (b) of sub-paragraph (2) above shall have effect in relation to the transferee company.”.

(4) For sub-paragraph (8) (which applies paragraph 11(5) for construction of references to a member of a group) substitute—

“(8) In this paragraph references to a company which is a member of a group of companies shall be construed in accordance with section 170 of the Taxation of Chargeable Gains Act 1992.”.

(5) In sub-paragraph (9) (interpretation) insert the following definition at the appropriate place—

““carrying value” has the same meaning as it has for the purposes of paragraph 19A below;”.

Status: This is the original version (as it was originally enacted).

- (6) Where the period of account mentioned in the second sentence of the sub-paragraph (2) substituted by sub-paragraph (2) begins before 1st January 2005, “carrying value” shall be construed as if the period had begun on or after that date.
- (7) The amendments made by this paragraph have effect in any case where the relevant transaction is on or after 16th March 2005.
- (8) In this paragraph “the relevant transaction” means—
 - (a) the related transaction mentioned in sub-paragraph (1)(a) of paragraph 12 of Schedule 9 to FA 1996,
 - (b) the first of the series of transactions mentioned in sub-paragraph (1)(b) of that paragraph, or
 - (c) the transfer mentioned in sub-paragraph (1)(c) or (1)(d) of that paragraph, by virtue of which that paragraph applies or would apply apart from sub-paragraph (2A) of it.